

May 18, 2006

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd floor
Boston, Massachusetts 02110

Re: Docket D.T.E. 06-36

It is our understanding that Bay State Gas has filed with the Department of Telecommunications and Energy a petition of approval to implement an incremental capacity planning standard for grandfathered natural gas transportation customers. This case has been docketed as D.T.E. 06-36. IntelliCoat Technologies, of South Hadley, MA is one of those gas transportation customers.

Intelicoat Technologies Image Products Holdco, LLC and its predecessor companies have existed in South Hadley, MA since the 1930s and the company is headquartered here. We also have two other locations in the U.S., one in Europe and are planning to open a facility in Asia. We currently employ 300 people locally and 600 people worldwide. We are the largest manufacturing company and employer in South Hadley, the largest electricity user of the South Hadley Electric Light Department, and we believe the largest natural gas user in the Springfield division of Bay State Gas.

In 2005, our Natural Gas consumption in South Hadley was 332,000 DTH. We have since instituted both project oriented and procedure oriented conservation programs with the goal of significantly reducing the actual consumption of Natural Gas at our facility. Thus far in 2006, we have reduced gas consumption each month as compared to 2005. We are currently using gas at a lower rate and expect to finish the year around 315,000 DTH, about a 5.5% reduction. However, these improvements will not come close to offsetting the rate increases we have experienced in the last year. We expect that this trend of reducing consumption of natural gas use at this facility will continue for the foreseeable future as more improvements to our processes are implemented.

The industry segment within which we operate has faced over the last 5 years, and is continuing to face, excess asset capacity, increased offshore competition, and rising material and employee costs. Rising energy costs, nationwide and especially in New

England, further places this plant at a competitive disadvantage. Today, the business model of setting a selling price by adding a profit margin to the cost of producing products has been turned on its head. We currently manufacture our products in an environment of extreme competition and pricing that is set almost exclusively by market forces. This has resulted in the need to focus more heavily than ever before on producing products of world-class quality and superior value, while also constantly driving down our costs of manufacturing. We expect our Public utilities to assist us by holding the line on costs and pricing as well, and in fact we have the right to expect ever improving productivity and reduced costs going forward from all of our suppliers, including Bay State Gas.

Manufacturing companies such as IntelliCoat now face competitive forces in a worldwide market. Worldwide labor costs, and energy costs cause us to start at a competitive disadvantage. Our active energy conservation programs are resulting in reductions in gas consumption, without a single month thus far in 2006 in which our usage exceeded our contracted volume. This effort is necessary if this operation is to remain viable and if this operation is to remain in this region of the world. A significant rate increase is not helpful in keeping this manufacturing location competitive and a significant employer in Western Massachusetts. I urge the DTE to reject this proposal and keep the existing rate tariffs unchanged as they apply to grandfathered gas transportation customers.

Thank you for your consideration.

Sincerely,

Robert P. Lobban
Senior Vice President and
Chief Financial Officer
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